PARENT ACCOUNTS

SPEED SO24 LIMITED

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Virgin Atlantic Airways Limited and subsidiary companies

Directors' report and consolidated financial statements

28 February 2013

Registered number 1600117

Contents

President's statement

The 2012/13 Financial Year was one of significant strategic progress for Virgin Atlantic Airways ("VAA" and "Airline")

The Airline continues to operate in an environment of continued weakness in the macro economy, especially in the UK and Europe, combined with the persistently high jet fuel price Against this backdrop, the Airline grew turnover by 4% to £2 5bn but failed to return to profitability, recording a loss before tax of £93 0m *(2011/12 loss of £98 6m)* The Airline continues to focus on controlling costs wherever possible without compromising the customer experience

The Airline is now embarked on a two year programme to return to profit – key enablers are the agreement with Delta Air Lines Inc ("Delta") reached in December 2012 which will create a key strategic alliance for our business, the launch of Virgin Atlantic Little Red and the investment in new product for our customers plus our continued focus on customer service and punctuality

In December 2012 we announced the creation of a strategic alliance with Delta Subject to regulatory approval, we announced that Delta will acquire a 49% stake in the Airline's parent, Virgin Atlantic Limited, from Singapore Airlines Limited In addition, we have also announced a joint venture with Delta which will create an expanded transatlantic network By combining the strengths of our two companies in a joint venture, we can better serve customers travelling between North America and the UK and continue building a better business for our customers, employees and shareholders

The acquisition of British Midland Limited ("bmi") by British Airways ("BA") in April 2012 removed competition on a number of domestic routes served from Heathrow Virgin Atlantic Airways successfully applied for a number of remedy slots arising from this transaction At the end of March 2013, the Airline launched its brand new domestic service, Virgin Atlantic Little Red ("Little Red") This new service will bring much needed competition to BA on routes between Aberdeen, Edinburgh, Manchester and London Heathrow Little Red will also drive increased feed onto the Airline's long-haul network, bringing the Virgin Atlantic Airways experience and route network to a million more people across the UK every year

The Airline focuses on delivering exceptional customer service During the last twelve months the Airline has placed a high degree of focus on punctuality, achieving record levels of overall on-time performance Furthermore, we were the number one airline in punctuality performance at London Heathrow Airport on 12 of the 20 routes we operate and outperformed our key competitor 11 out of 12 months In addition to this focus we have been improving our ground and on-board products as outlined below The net outcome of this activity has been to improve our customer satisfaction and loyalty scores significantly, with our Economy satisfaction scores at a five year high

The last twelve months have seen a number of major product improvements delivered to our customers We have strengthened our offering on the key London – New York route with new Clubhouse openings at both New York Airports (JFK and Newark), to complement our award winning Heathrow Clubhouse We have undertaken and completed a large scale refurbishment programme of our leisure fleet, which operate out of Gatwick and Manchester this includes new cabins and inflight entertainment systems for these aircraft

The Airline took delivery of a further 5 Airbus A330-300 aircraft taking this fleet type up to 10 units this allowed the Airline to retire 4 older Airbus A340-600 aircraft The new aircraft offer a superior customer experience and also provide significantly improved economics, principally due to reduced fuel burn, than the aircraft that they replace

Planning is well underway to introduce 16 Boeing 787-9 Dreamliners to the fleet Delivery will commence from September 2014, providing exciting opportunities for an improved customer offering and route expansion

In the last financial year I announced a ground breaking initiative with LanzaTech on the world's first fuel production process that recycles waste carbon monoxide gases to produce ethanol, which is subsequently converted into jet fuel through a second stage process In the longer term this remains a significant part in the management of increasing fuel costs and reaffirms the Groups' commitment to reducing its carbon footprint and reliance on traditional fuel sources This passion and commitment was recently recognised as VAA won the Sustainable Aviation award at the Sustainable Biofuels Awards 2013

It is the people at Virgin Atlantic Airways that underpin its enduring success and ensures that we continue to thrill our customers with great product and service As I look forward to the exciting challenges and opportunities ahead, I am confident that those people will continue to "fly in the face of ordinary" in delivering the best that air travel can be, whether you are travelling for business or leisure purposes

Sir Richard Branson

President

Directors' report

Registered number: 1600117

The directors present their annual report and the audited financial statements for Virgin Atlantic Airways Limited and subsidiary companies for the year ended 28 February 2013

Principal activities

The principal activities of the Group continue to be the operation of scheduled air services for the carriage of passengers and freight

Directors and directors' interests

The directors who held office during the year were as follows

Sir Richard Branson	(President)
Peter Norris	(Chairman) (appointed 1 July 2012)
Stephen Murphy	(resigned 1 July 2012)
David Baxby	
Chan Hon Chew	
Stephen Griffiths	
Timothy Livett	
Ng Chin Hwee	
Jonathan Peachey	(resigned 1 April 2012)
Mark Poole	(resigned 1 July 2012)
Stephen Ridgway	(resigned 31 January 2013)
Julie Southern	
Paul Tan Wah Liang	
Tan Pee Teck	
Yeoh Phee Teik	
Craig Kreeger	(appointed 31 January 2013)
John Moorhead	(appointed 1 July 2012, resigned 21 January 2013)
Shai Weiss	(appointed 21 January 2013)
Keith Roberts	(appointed 1 April 2012, resigned 21 January 2013)

Results

The results of the Group for the year are set out on page 9 and are commented on within the President's statement and the Business review

Employees

In considering applications for employment from disabled people in the UK, the Group seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the job for which he or she has applied Employees who become temporarily or permanently disabled are given individual consideration, and where possible equal opportunities for training, career development and promotions are given to disabled persons

Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the Group and are of interest and concern to them as employees The Group also encourages employees, where relevant, to meet on a regular basis to discuss matters affecting them

Directors' report *(continued)*

Business review

A review of operations and future developments is included within the President's statement

The 2012/13 financial performance reflects a continuation of the challenging trading conditions seen in the previous year The macro economy, in the UK and Europe in particular, was weak and fuel prices remained persistently high

In these conditions, Virgin Atlantic Airways returned a loss before tax and exceptional items of £128 4m (*2011/12 loss £98 6m*)

Total turnover growth exceeded the overall growth of the airline, with turnover up 4% on ASK growth of only 2% Load factor improved by 1 3pts to 78 8% Fuel prices net of hedging drove a total cost per ASK increase of 3 9%

Management focus continued to be on driving fuel efficiency and tight cost control in other operational and administrative areas where such control can be exerted At the same time however, the Airline has continued to make significant investment in the core product and service offering where those investments support future revenue growth A major capital programme to refurbish the leisure B747-400 fleet was completed during the year as well as the introduction to the fleet of a number of more fuel efficient A330-300 aircraft The Airline returned two A340-300 and a further four A340-600 aircraft to lessors during the year, at the end of their contracted lease term

The outlook for 2013/14 is improving Revenue and passenger growth has been strengthening during the second half of 2012/13 and in combination with the start of the Virgin Atlantic domestic service Little Red and the anticipated approval of the recently announced strategic alliance with Delta Air Lines, the Directors enter 2013/14 confident that the financial performance of the airline will improve considerably

Management remain focused on controlling unit cost performance across the addressable cost base, prioritising capital investment to those areas which will drive greatest revenue benefit and leveraging the enduring strength of the Virgin brand in returning the company to profitability

The Directors continue to monitor performance through a range of key performance indicators (KPIs) A selection of these key measures is shown below

	2012/13	2011/12
Group Turnover [1]	**£2,505.2m**	£2,402 1m
Return on Sales [2]	**(3.7)%**	(4 1)%
Total Passengers Flown [3]	**5.5m**	5 4m
Available Seat Kilometres (ASK's)[4]	**50.2bn**	49 2bn
Customer Satisfaction[5]	**24%**	22%
Customer Loyalty[6]	**44%**	43%
Customer Advocacy [7]	**24%**	21%

[1]**Group Turnover** – refer to notes 1 & 2

[2]**Return on Sales** - Loss on ordinary activities before taxation as a percentage of turnover

[3]**Total Passengers Flown** - Total revenue paying passengers carried

[4]**Available Seat Kilometres (ASK's)** - Number of seats available multiplied by total distance flown

[5]**Customer Satisfaction** - Proportion of passengers rating their overall journey experience as 'excellent' Data collected from a sample of passengers throughout the year, across all routes and cabins

[6]**Customer Loyalty** - Proportion of passengers who would 'definitely' fly with Virgin Atlantic Airways again the next time they fly to a Virgin Atlantic Airways destination Data collected from a sample of passengers throughout the year, across all routes and cabins

[7] **Customer Advocacy** – Based on Net Promoter Score (NPS) - Proportion of passengers who rate a 9 or a 10 (Promoters) on a 0-10 scale in terms of likelihood to recommend Virgin Atlantic Airways to others, minus the proportion who rate 0-6 (Detractors) on this scale Data collected from a sample of passengers throughout the year, across all routes and cabins

Directors' report *(continued)*

Environmental impacts

The Group is committed to addressing and promoting sustainable solutions for its business and the wider airline industry At a minimum, the Group is complying with the rules and regulations concerning protection of the environment, which apply to the Group's operations such as emissions, noise and disposal of waste

Change is in the Air (CIITA) is Virgin Atlantic Airways' sustainability programme and focuses on the Group's environmental and community investment activities The Group reports fully on these activities each year through CIITA reports which are available to download

Sustainability is very much aligned with the Group's brand values, and it is in the process of being embedded firmly into the way the Group does business Top-level management support, putting sustainability at the top of the Group's agenda, has been key to this process In 2011 the Group established a Sustainability Strategy Group (SSG), which is chaired by the Chief Commercial Officer, and meets quarterly to bring together Directors and other senior managers from around the business In 2012, the SSG reviewed and agreed the Group's renewed vision, strategy and sustainability priorities going forwards The Sustainability team provides strategic guidance to the SSG, helping to set objectives with all SSG members and monitor and report on-going progress

As an airline, over 99% of the Group's measurable carbon footprint comes from flying aircraft so the Group is focused on improving fuel and carbon efficiency The Group has a target to reduce CO2 emissions by 30% per Revenue Tonne Kilometre between 2007 and 2020 At the end of 2011 the Group had reduced its CO2 emissions by 11 46% per RTK against the 2007 baseline New, more efficient aircraft offer significant fuel savings as does efficient operation and maintenance of the aircraft For the medium to long term, finding an alternative way to power aircraft is crucial In 2011 the Group announced a world-first low carbon aviation fuel, to be delivered in partnership with LanzaTech The process converts steel waste gases (which would otherwise be flared off to the atmosphere) to produce a fuel with roughly half the total lifecycle carbon content of kerosene The Group hopes to have a demo flight using the new fuel in 2013 and plan to uplift fuel in commercial quantities by 2014 On the environment, the Group is also cutting down on ground energy use, buying renewable energy for UK ground operations, buying more fuel efficient ground vehicles, reducing, reusing and recycling waste and improving what is designed and bought CIITA also means engaging with others on the challenge of making the whole industry more sustainable

Through the Virgin Atlantic Foundation (VAF), the Group has renewed its partnership with Free the Children (FTC) for a further three years FTC is a charity which shares the Group's objectives of supporting sustainable communities in its destinations, as well as providing young people in the UK with the skills and support needed to get involved in the social and environmental issues that matter to them 2012 was an exceptional year for fundraising £1 5 million was given in time, flights, baggage allowance and money and on-board passenger donations rose by 7% in a year 78 UK schools signed up for 'Be The Change' school programmes, 16,000 students received a motivational speech and 1,200 students participated in leadership workshops International development projects, focused on delivering real and sustainable improvements in education, water and sanitation, healthcare and alternative income generation in partner communities, are also producing fantastic results

For more information about Virgin Atlantic Airways' Change is in the Air sustainability programme and to download its CIITA sustainability reports visit www virgin-atlantic com/changeisintheair

Principal risks and uncertainties

The Virgin Atlantic Airways Limited Group faces a range of risks and uncertainties The directors take action to mitigate, where possible, the impact of these risks and uncertainties However, a number of these remain outside of the control of the directors Detailed below are those specific risks and uncertainties that could have the most significant impact on the Group's long-term performance The risks and uncertainties described below are not intended to be exhaustive

Brand reputation

The strong reputation and loyalty engendered by the Group's brands is a core part of the value of the business Any damage to the brands caused by any single event or series of events could materially impact customer loyalty and the propensity of customers to travel with us and so adversely affect our business

Global economic slowdown

The Group's operations are particularly sensitive to changes in economic conditions in the markets in which it operates A global economic slowdown may adversely affect the demand for business and leisure travel and cargo services which could result in a material adverse impact on the Group's financial performance

Directors' report *(continued)*

Principal risks and uncertainties *(continued)*

Government intervention

The aviation and tour operating industries are highly regulated and any decisions made by government with respect to closure of airspace, slot regulation, security requirements, government taxes and other levies may result in a material adverse impact for the Group from both an operational and financial perspective

Security and terrorism

The safety and security of our passengers, crew and staff forms the foundation of everything we do The history of terrorist attacks against the aviation and tour operating industries demonstrates that Virgin Atlantic's business is exposed to the results of such action even if the attacks are not directed at the Group Any future attack, or attempted attack may adversely affect the Group in terms of disruptions to operations through loss of access to airports or aircraft, increased security costs, increased insurance costs or a reduction in customer demand Any one of these factors may materially affect the operational and financial performance of the Group

Financial risk management

The directors are responsible for setting financial risk management policies and objectives, and approve the parameters within which the various aspects of financial risk management are operated Treasury and Aviation Fuel Price Exposure Management policies, which have been approved by the directors, outline the Group's approach to corporate and asset financing, interest rate risk, fuel price risk, foreign exchange risk and cash and liquidity management These policies also list the financial instruments and time periods authorised for use in managing financial risk

The directors have delegated powers for treasury risk management to the Financial Risk Committee This Committee ensures that the treasury policies and objectives approved by the directors are fully implemented

Liquidity, financing and interest rate risk

The working capital of the Group is financed by retained profit and sales in advance of carriage The major risks to liquidity are driven by business performance and cash timing differences for the Group's derivative financial instruments (see below) The former is managed by taking corrective actions in the form of amendments to fleet, network and the cost base in response to changing external factors and the latter as described in the derivative financial instruments policy (see below)

All of the Group's debt is asset related, reflecting the capital intensive nature of the airline industry and the attractiveness of aircraft as security to lenders and other financiers These factors are also reflected in the medium-term profile of the Group's loans and operating leases

The Group interest rate management policy aims to provide a degree of certainty for future financing costs, this is achieved by funding the majority of loans and operating leases on a fixed interest rate basis The Group's loans and operating leases are principally denominated in US dollars

Foreign currency risk

The Group has a significant net US dollar cost exposure Capital, lease and a number of operational costs, most significantly aviation fuel, are denominated in US dollars In addition the Group is exposed to a number of other currencies The Group seeks to reduce its foreign exchange exposure arising in various currencies through matching, as far as possible, receipts and payments in individual currencies To this extent, where possible, the Group holds foreign currency balances in the short-term to meet its future trading obligations The gain arising on translation of these foreign currency balances in the current year amounted to £5 5m *(2012 loss of £3 8m)* Where there is a predicted exposure in foreign currency holdings, the Group uses a limited range of hedging instruments as stipulated in the Treasury and Aviation Fuel Price Exposure Management Policies

Fuel price risk

The Group's Aviation Fuel Price Exposure Management Policy aims to provide protection against sudden and significant increases in the jet fuel price while ensuring that the Group may also benefit from price reductions, having regard to cash margin call exposure In order to provide protection the Group uses a limited range of hedging instruments, principally vanilla put and call options, collars and forwards, with approved counterparties and within approved limits

Directors' report *(continued)*

Financial risk management *(continued)*

Derivative Financial Instruments

The Group uses derivative financial instruments selectively for foreign currency and aviation fuel price risk management purposes, as described above The Group's policy is not to trade in derivatives but to use these instruments to hedge anticipated future cash flows The Group does not permit selling currency or jet fuel options, except as part of hedging structures authorised in the Treasury and Aviation Fuel Price Exposure Management Policies All derivatives are used for the purpose of risk management and accordingly they do not expose the Group to market risk as they are matched to identified physical exposures within the Group However, the timing difference between derivative maturity date and current mark-to-market value can give rise to cash margin exposure, this risk is managed through choice of instrument, appropriate counterparty agreements and, where required, cash deposits with counterparties Counterparty credit risk is controlled through mark-to-market based credit limits

Dividends

The directors recommend that no ordinary interim *(2012 £nil)* or final *(2012 £nil)* dividend be paid in respect of the year ended 28 February 2013

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the year

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board

Ian de Sousa
Company Secretary

Company Secretariat
The Office, Manor Royal
Crawley, West Sussex
RH10 9NU

29 April 2013

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period

In preparing each of the Group and Parent Company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Parent Company and to prevent and detect fraud and other irregularities

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's report to the members of Virgin Atlantic Airways Limited

We have audited the financial statements of Virgin Atlantic Airways Limited for the year ended 28 February 2013 set out on pages 9 to 33 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Directors report and consolidated financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 28 February 2013 and of the Group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Jonathan Downer

Jonathan Downer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

14 May 2013

Consolidated profit and loss account

for the year ended 28 February 2013

	Note	2013 Before exceptional items	2013 Exceptional items (note 6)	2013 Total	2012 Total
		£m	£m	£m	£m
Turnover	*2*	**2,505.2**	**-**	**2,505 2**	2,402 1
Cost of sales		**(2,288 6)**	**-**	**(2,288 6)**	(2,173 7)
Gross profit		**216.6**	**-**	**216.6**	228 4
Administrative expenses		**(342 4)**	**35.4**	**(307.0)**	(316 7)
Other operating income/(expense)[1]		**5 5**	**-**	**5.5**	(3 8)
Operating loss		**(120 3)**	**35.4**	**(84.9)**	(92 1)
Loss on disposal of fixed assets				**-**	(0 4)
Interest receivable and similar income	*4*			**2.8**	4 6
Interest payable and similar charges	*5*			**(10.9)**	(10 7)
Loss on ordinary activities before taxation	*6*			**(93 0)**	(98 6)
Tax credit on loss on ordinary activities	*8*			**33.3**	41 5
Loss for the financial year	*18*			**(59 7)**	(57 1)

The loss for the year arises from continuing operations

The notes on pages 13 to 33 form part of these financial statements

[1] Other operating income/(expense) relates to exchange gains and losses arising on re-translation of foreign currency denominated balances held in the short-term to meet future foreign currency denominated trading obligations

Consolidated statement of total recognised gains and losses

for the year ended 28 February 2013

	2013 £m	2012 £m
Loss for the financial year	(59 7)	(57 1)
Unrealised profit on disposal of intangible fixed assets, net of tax	-	6 6
Currency translation differences on foreign currency net investments	-	(0 8)
Total recognised gains and losses relating to the year	(59.7)	(51 3)
Restatement of 2011 profit and loss reserve as a result of group reconstruction	-	(17 9)
Total gains and losses recognised since last annual report	(59.7)	(69 2)

The notes on pages 13 to 33 form part of these financial statements

Consolidated balance sheet
at 28 February 2013

	Note		2013			2012	
		£m	£m	£m	£m	£m	£m
Fixed assets							
Intangible assets	*9*			75.4			85 2
Tangible assets	*10*			337 8			311 4
Investments	*11*			10 6			12 0
				423 8			408 6
Current assets							
Stocks	*12*		41.4			41 4	
Debtors due within one year	*13*	371.8			363 5		
Debtors due after one year	*13*	51.7			97 1		
			423.5			460 6	
Cash at bank and in hand			399.8			489 3	
			864 7			991 3	
Creditors amounts falling due within one year	*14*		(1,035 1)			(995 0)	
Net current liabilities				(170.4)			(3 7)
Total assets less current liabilities				253.4			404 9
Creditors: amounts falling due after more than one year	*15*			(31 7)			(66 5)
Provisions for liabilities and charges	*16*			(175.7)			(232 7)
Net assets				46.0			105 7
Capital and reserves							
Called up share capital	*17*			4.5			4 5
Share premium account	*18*			5 0			5 0
Other reserves	*18*			25.0			25 0
Profit and loss account	*18*			11.5			71 2
Shareholders' funds	*19*			46.0			105 7

These financial statements were approved by the Board of Directors on 29 April 2013 and were signed on its behalf by

Timothy Livett
Director

The notes on pages 13 to 33 form part of these financial statements

Company balance sheet
at 28 February 2013

	Note	2013 £m	2013 £m	2013 £m	2012 £m	2012 £m	2012 £m
Fixed assets							
Intangible assets	*9*			75.4			85 2
Tangible assets	*10*			349 8			320 4
Investments	*11*			17.4			22 9
				442.6			428 5
Current assets							
Stocks	*12*		38 2			36 6	
Debtors due within one year	*13*	364.5			378 7		
Debtors due after one year	*13*	50.1			95 6		
			414.6			474 3	
Cash at bank and in hand			397 7			485 7	
			850.5			996 6	
Creditors amounts falling due within one year	*14*		(1,001.1)			(977 5)	
Net current (liabilities)/assets				(150.6)			19 1
Total assets less current liabilities				292.0			447 6
Creditors amounts falling due after more than one year	*15*			(31 7)			(67 0)
Provisions for liabilities and charges	*16*			(203.7)			(263 2)
Net assets				56.6			117 4
Capital and reserves							
Called up share capital	*17*			4.5			4 5
Share premium account	*18*			5 0			5 0
Other reserves	*18*			25 0			25 0
Profit and loss account	*18*			22.1			82 9
Shareholders' funds	*19*			56.6			117 4

These financial statements were approved by the Board of Directors on 29 April 2013 and were signed on its behalf by

Timothy Livett
Director

The notes on pages 13 to 33 form part of these financial statements

Notes

(forming part of the financial statements)

1 Principal Accounting policies

The following accounting policies have been applied consistently in dealing with matters which are considered material in relation to the consolidated financial statements

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards

The Virgin Atlantic Airways Limited board having regard for the principle risks and uncertainties, as set out in the Directors' report, which could impact the business, consider that the preparation of the financial statements on a going concern basis remains appropriate

The Company has taken advantage of section 408 of the Companies Act 2006 and a separate profit and loss account for the Company has not been published The result for the year attributable to the Company is disclosed in note 18

Under Financial Reporting Standard 1 (Revised), the Group is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Virgin Atlantic Limited The Group's cash flows are included within the consolidated cash flow statement of this company

Basis of consolidation

The financial statements consolidate Virgin Atlantic Airways Limited ("the Company") and its subsidiaries (together "the Group")

In line with Financial Reporting Standard 6 the directors consider it appropriate to consolidate the results of the following subsidiaries using the principles of merger accounting Virglease (2) Limited, Virglease (3) Limited, Virgin Aviation Services Limited, Virgin Freeway Limited, Speed 5024 Limited (and its former subsidiaries Public Eye Promotions Limited, Threesixty Aerospace Limited and Worldwide Travel of East Anglia Limited) and Junopart Limited Consequently these companies are reflected in the Group accounts as if they had been part of this Group from the date on which they joined and left the Virgin Travel Group Limited or Virgin Atlantic Limited groups, as appropriate

In line with Financial Reporting Standard 6 the remaining subsidiaries have been accounted for using the principles of acquisition accounting Under this method, the results of subsidiary undertakings are included in the consolidated profit and loss account from the date of acquisition

Turnover

Turnover is stated gross of commission and comprises revenue from passenger ticket sales, cargo and ancillary goods and services Revenue is recognised on the basis of flights operated in the accounting period Revenue relating to flights commencing after the accounting period, together with any commission thereon, is carried forward as deferred income Unused tickets are recognised as turnover after a period of 12 months following date of issue

Compensation payments

Income resulting from claims for compensation payments is recognised as income in the profit and loss account when all performance obligations are met, including when a contractual entitlement exists, it can be reliably measured (including the impact of the receipt, if any, on the underlying assets' carrying value) and it is probable that economic benefits will accrue to the Group

Notes *(continued)*

1 Principal Accounting policies *(continued)*

Translation of foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or, if hedged, at the forward contract rate Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate All exchange differences are included in the profit and loss account

Any gains or losses arising on the re-translation of foreign currency balances held in the short-term to meet future trading obligations are reported as part of 'Other operating income/(expense)' in the profit and loss account

Derivative financial instruments

The Group uses various derivative financial instruments to manage its exposure to foreign exchange, jet fuel price and interest rate risks Gains and losses on hedges of revenue or operating payments, including amounts received or paid on hedges closed out in advance of maturity, are recognised in the profit and loss account of the period in which the hedged transaction matures or would have matured

Pension costs

The Group participates in defined contribution pension schemes The assets of the schemes are held separately from those of the Group in independently administered funds

The amount charged in the profit and loss account represents the contributions payable to the schemes by the Group in respect of the accounting period

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Intangible fixed assets

The Group had previously amortised purchased landing slots over their useful economic life which was estimated at 20 years from the date at which they came into service The directors reassessed this economic life in view of the Open Skies agreements which came into effect in 2008 and which increased and developed a more transparent market for slots and also in view of the legal rights for slots which provide that the holder has 'grandfather rights' for landing slots which continue for an indefinite period As a result of those developments purchased landing slots are considered to have an indefinite economic life and are not amortised Instead, they are subject to an annual impairment review and a provision is recognised for any identified impairment

Notes *(continued)*

1 Principal Accounting policies *(continued)*

EU Emissions Trading Scheme

The EU Emissions Trading Scheme became effective for the aviation industry on 1 January 2012 During 2012 the governments of China, the Russian Federation and the US formally banned their airlines from participating in the scheme Following this, in November 2012, the EU announced its intention to remove the compliance requirements on international aviation for one year Compliance will be reinstated for future years if the International Civil Aviation Organisation (ICAO) is not successful in introducing a global cap and trade scheme for emissions If the ICAO agrees a global scheme, then the intention would be to make the suspension permanent

Emissions on intra-EU flights

Carbon allowances received free of charge are recognised as intangible assets at market value on the date of receipt Consistent with Statement of Standard Accounting Practice 4 'Accounting for Government Grants', the value of allowances received is deferred and recognised in income on a systematic basis over the period to which the grant relates The estimated gross cost of settling the liability for CO2 emitted in the period is recognised in the profit and loss account as incurred

Emissions on international flights

Given the current global position the Directors consider there to be sufficient uncertainty surrounding the operation of the EU ETS for international flying to not recognise any net assets or liabilities under the scheme as at the balance sheet date

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Directly attributable financing costs on aircraft progress payments are capitalised as incurred until such time that the aircraft enters into service

Depreciation is calculated to write off the cost, less estimated residual value, on a straight-line basis over the useful life of the asset, or the period of the underlying finance lease if shorter

Aircraft and engine maintenance costs in respect of major overhauls of owned aircraft which are typically carried out at intervals greater than one year are capitalised and depreciated by reference to their units of economic consumption, typically hours or sectors flown Part of the initial cost of new or used aircraft is treated as such maintenance expenditure based upon its maintenance status on acquisition and the then current cost of the maintenance procedures

The balance of aircraft and engine cost is depreciated on a straight-line basis over periods of up to twenty five years, so as to reduce the cost to estimated residual value at the end of that period The effective depreciation rate per annum in respect of new wide-bodied aircraft is approximately 4%

Rotable spares are depreciated on a straight-line basis so as to reduce the cost or valuation to estimated residual value at the end of their useful lives The effective depreciation rate per annum in respect of rotable spares is 7 25% or 12 5% dependent on type

Expenditure incurred on modifications to aircraft under operating leases is depreciated on a straight-line basis to a nil residual value over a period not exceeding the remaining lease period

The buildings in freehold land and buildings are being depreciated over a period of 50 years, on a straight-line basis

No depreciation is provided in respect of assets in the course of construction

Other tangible fixed assets are depreciated at the following rates

Fixtures and fittings	-	20% - 25% on cost
Plant and equipment	-	25% - 33% on cost
Computer equipment and software	-	25% - 33% on cost
Motor vehicles	-	25% on cost
Leasehold improvements	-	lower of useful economic life or period of lease

Notes (continued)

1 Principal Accounting policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value Provision is made for obsolete, slow-moving or defective items where appropriate

Cash and liquid resources

Cash at bank and in hand includes both cash and liquid resources Cash includes cash in hand and deposits repayable on demand held with any financial institution Liquid resources include term deposits

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis Where operating lease charges are variable based on prevailing interest rates, costs are recognised prospectively over the remaining term of the lease

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets Depreciation is provided at rates designed to write off this cost less residual value in equal annual amounts over the shorter of the period of the lease or the anticipated useful life of the asset The capital elements of future lease obligations are recorded as liabilities and the interest element is charged to the profit and loss account over the period of the lease in proportion to the balance outstanding

Leasehold dilapidations and onerous lease provisions are discounted with the unwinding of the discount being taken to the profit and loss account

Aircraft maintenance costs

Routine maintenance costs are charged to the profit and loss account as incurred Maintenance costs for overhauls relating to aircraft and engines held under operating leases for which there is a contractual obligation are provided for by making appropriate charges to the profit and loss account For owned aircraft and engines, major overhaul expenditure is capitalised and depreciated by reference to the units of economic consumption, typically hours or sectors flown

Where the effect is material, the provision for maintenance costs is discounted to present value using a current pre-tax discount rate that reflects the risks specific to the liability

Development expenditure

Development expenditure, relating to the setting up of new routes and introducing new aircraft to the fleet, is charged to the profit and loss account as incurred

Frequent flyer programme

The Group's frequent flyer programme Flying Club allows customers to earn mileage credits by flying on Virgin Atlantic (and selected partner airlines) as well as through participating companies such as credit card issuers Flying Club members can redeem miles for flights on Virgin Atlantic, selected partner airlines and other partners such as hotels and car rental companies

Where the fair value of miles issued is significant in the context of the overall underlying transaction, the fair value of miles issued at the expected redemption rate is deferred and recognised in revenue when redeemed and services are provided Where the fair value of miles issued is not significant in the context of the overall underlying transaction, no revenue is deferred and an onerous cost obligation is provided for on an incremental cost basis at the expected redemption rate

Long Term Incentive Plan (LTIP)

The Group accrues for any element of foreseeable future awards for employees and directors under LTIPs which have been agreed by the Board of Directors, and which are deemed to have been earned in the current period

Notes *(continued)*

2 Analysis of turnover

In the opinion of the directors, there is only one core activity, that of operating international long-haul scheduled airline services from the UK Other income primarily relates to income from other airline related services

	2013 £m	2012 £m
Scheduled airline services	**2,488.8**	2,384 6
Other	**16 4**	17 5
	2,505 2	2,402 1
Scheduled airline services by source		
United Kingdom	**1,420 6**	1,403 9
North America and the Caribbean	**460.1**	425 1
Far East	**186 5**	181 5
Africa	**145 0**	155 4
Other	**276.6**	218 7
	2,488 8	2,384 6
Scheduled airline services by destination:		
North America	**1,333.5**	1,277 6
Caribbean	**230.5**	230 3
Far East	**333 2**	318 5
Africa	**289.2**	303 8
Other	**302.4**	254 4
	2,488 8	2,384 6

The geographical analysis of revenue by source is derived by allocating revenue to the area in which the sale is made

The geographical analysis of revenue by destination is derived by allocating revenue from inbound and outbound services between the United Kingdom and overseas points to the geographical area in which the relevant overseas point lies

A geographical analysis of the Group operating profit is not disclosed as it is neither practical nor meaningful to allocate the Group's operating expenditure on a geographical basis

Since the aircraft fleet (which is the major revenue-earning asset of the Group) is employed flexibly across a worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments and accordingly no geographical analysis of assets or net liabilities is disclosed

Notes *(continued)*

3 Staff numbers and costs

The average number of persons employed by the Group (including directors), analysed by category, was as follows

	2013	2012
Management and administration	710	694
Flight crew	779	739
Cabin crew	3,695	3,524
Reservations and sales	2,086	2,047
Engineering, cargo and production	1,210	1 141
	8,480	8,145

The aggregate payroll costs (including directors) of these persons were as follows

	2013 £m	2012 £m
Wages and salaries	268.5	252 1
Social security costs	27.1	26 3
Other pension costs (note 25)	21 0	20 0
	316.6	298 4

4 Interest receivable and similar income

	2013 £m	2012 £m
Interest on bank deposits	1.9	3 6
Finance income from fixed asset investments (note 11)	0 9	1 0
	2 8	4 6

5 Interest payable and similar charges

	2013 £m	2012 £m
Interest on bank loans, overdrafts and similar charges	6.9	7 3
Interest payable on other loans	0.2	-
Interest payable to group undertakings	1 3	1 5
Finance charges in respect of finance leases and hire purchase contracts	0 6	0 6
Exchange loss on foreign currency borrowings less deposits	1 9	1 1
Unwinding of discount on provisions (note 16)	0.2	0 2
	11.1	10 7
Interest capitalised on aircraft progress payments (note 10)	(0.2)	-
	10.9	10 7

Notes *(continued)*

6 Loss on ordinary activities before taxation

	2013 £m	2012 £m
Loss on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets (note 10)	**56 9**	50 3
Impairment of tangible fixed assets (note 10)	**0.7**	-
Rentals under operating leases		
Aircraft and related equipment	**210.6**	203 3
Plant and machinery	**14.8**	11 5
Land and buildings	**24 8**	23 2
Loss on disposal of fixed assets	**-**	0 4
Exceptional items		
Administrative expenses (see below)	**(35.4)**	-
Other operating (income)/expense (see below)	**(5 5)**	3 8

Fees payable to the Group's auditor and its associates for services other than the statutory audit of the Parent Company and subsidiaries are not disclosed in Virgin Atlantic Airways Limited's accounts since the consolidated accounts of Virgin Atlantic Airways Limited's parent, Virgin Atlantic Limited, are required to disclose non-audit fees on a consolidated basis Fees payable to the Company's auditor for the audit of the Company's annual accounts are £198,000 *(2012 £193,000)* Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation are £36,750 *(2012 £29,200)*

Other operating (income)/expense is the (gain)/loss arising on re-translation of foreign currency denominated balances held in the short-term to meet future foreign currency denominated trading obligations

Exceptional administrative expenses in the current year relate to the reversal of a provision recognised in the year ended 28 February 2010 in connection with on-going investigations into various aspects of pricing and commercial issues in the airline industry The investigations have now been closed and Virgin Atlantic Airways has been cleared of all obligations and liabilities

7 Emoluments of directors

During the period of their service, the emoluments of the directors of the Company were

	2013 £m	2012 £m
Aggregate emoluments	**1.3**	1 7
Company contributions to money purchase pension schemes	**0.1**	0 1
Aggregate amounts receivable under Long Term Incentive Schemes	**-**	-
	1.4	1 8

Retirement benefits are accruing to 5 *(2012 4)* directors under money purchase pension schemes
No directors have share options and therefore none were exercised in the year
The aggregate compensation for loss of office paid in the year was £498,000 *(2012 £nil)*

	2013 £m	2012 £m
Highest paid director.		
Aggregate emoluments and other benefits	**0.4**	0 6
Aggregate amounts receivable under Long Term Incentive Schemes	**-**	-
	0.4	0 6

Notes *(continued)*

8 Tax on loss on ordinary activities

Analysis of credit in period	2013 £m	2012 £m
Current tax		
UK group relief receivable	(6.0)	-
Adjustments in respect of prior periods	0 1	(0 3)
Non – UK corporation tax payable	0 1	0 1
Total current tax credit	(5.8)	(0 2)
Deferred tax		
Origination and reversal of timing differences	(21 2)	(31 6)
Adjustments in respect of prior years	(0.9)	0 1
Tax on unrealised profit on sale of intangible assets	-	(2 3)
Effect of decrease in tax rate	(5.4)	(7 5)
Total deferred tax credit	(27.5)	(41 3)
Tax credit on loss ordinary activities	(33.3)	(41 5)

The standard rate of UK corporation tax for the year is 24% (*2012* 26%) The total tax credit of 36% for the period is higher than the standard rate of corporation tax This is driven by a reduction in the net deferred tax liability as a result of a reduction in UK corporation tax rates and the reversal of a disallowed provision in an earlier period

The actual current tax credit for the year differs from that computed by applying the standard tax rate to the loss on ordinary activities before tax as reconciled below

	2013 £m	2012 £m
Loss on ordinary activities before taxation	(93.0)	(98 6)
Tax at the standard rate at 24% *(2012 26%)*	(22.3)	(25 6)
Factors affecting the charge for the year.		
Income not subject to corporation tax	(8.7)	(0 3)
Depreciation for the year in excess of capital allowances	11.6	2 9
Effect of decrease in tax rate	(0.1)	(0 1)
Adjustments in respect of prior periods	0 1	(0 3)
Tax on unrealised profit on sale of intangible assets	-	2 3
UK tax losses not utilised or recognised	11 0	19 6
Other timing differences	(0.5)	(0 7)
Foreign tax	0 1	-
Expenses not deductible for tax purposes	3.0	2 0
Total current tax	(5 8)	(0 2)

Notes *(continued)*

8 Tax on loss on ordinary activities *(continued)*

The 2013 Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 1 April 2015 A reduction in the rate from 24% (effective 1 April 2012) to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012 This will reduce the Group's future current tax charge accordingly

The deferred tax liability at 28 February 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date It has not yet been possible to quantify the full anticipated effect of the announced further rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax liability accordingly

9 Intangible assets

Group and Company	**Landing slots £m**	**Carbon allowances £m**	**Total £m**
Cost			
At 1 March 2012	77 1	18 8	95 9
Additions	8 0	1 0	9 0
Disposals	-	(18 8)	(18 8)
At 28 February 2013	**85 1**	**1.0**	**86.1**
Amortisation			
At 1 March 2012	10 7	-	10 7
Disposals	-	-	-
At 28 February 2013	**10 7**	-	**10.7**
Net book value			
At 28 February 2013	**74 4**	**1.0**	**75.4**
At 29 February 2012	66 4	18 8	85 2

Refer to note 1 for the accounting policies relating to landing slots and carbon allowances

The directors have conducted an impairment review at 28 February 2013 and based on this review no impairment adjustment need be recognised

Notes *(continued)*

10 Tangible fixed assets

Group	Land and buildings £m	Assets in the course of construction £m	Aircraft, rotable spares and ancillary equipment £m	Modifications to aircraft on operating leases £m	Plant and machinery, fixtures and fittings £m	Total £m
Cost						
At 1 March 2012	30 0	42 7	409 0	182 1	284 9	948 7
Additions	-	68 8	11 9	3 4	3 0	87 1
Disposals	-	(0 5)	(13 1)	(29 8)	(114 5)	(157 9)
Reclassifications	-	(82 8)	5 1	55 9	21 8	-
Transfer to current assets	-	-	-	(1 2)	0 2	(1 0)
At 28 February 2013	**30.0**	**28 2**	**412 9**	**210 4**	**195.4**	**876 9**
Depreciation						
At 1 March 2012	3 1	-	232 6	169 5	232 1	637 3
Charge for the year	0 5	-	24 1	10 4	21 9	56 9
Impairment	-	-	-	-	0 7	0 7
Disposals	-	-	(11 6)	(29 8)	(114 4)	(155 8)
At 28 February 2013	**3.6**	**-**	**245.1**	**150.1**	**140.3**	**539.1**
Net book value						
At 28 February 2013	**26.4**	**28.2**	**167.8**	**60 3**	**55.1**	**337.8**
At 29 February 2012	26 9	42 7	176 4	12 6	52 8	311 4

Included in aircraft, rotable spares and ancillary equipment are progress payments of £20 3m (*2012 £20 1m*)

Notes *(continued)*

10 Tangible fixed assets *(continued)*

Company	Land and buildings	Assets in the course of construction	Aircraft, rotable spares and ancillary equipment	Modifications to aircraft on operating leases	Plant and machinery, fixtures and fittings	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 March 2012	30 0	45 9	409 9	182 1	282 9	950 8
Additions	-	71 1	13 5	3 4	2 5	90 5
Disposals	-	(0 5)	(13 9)	(29 8)	(114 0)	(158 2)
Reclassifications	-	(86 8)	5 1	59 9	21 8	-
Transfer to current assets	-	-	-	(1 2)	0 2	(1 0)
At 28 February 2013	**30.0**	**29.7**	**414.6**	**214 4**	**193 4**	**882.1**
Depreciation						
At 1 March 2012	3 1	-	226 7	169 5	231 1	630 4
Charge for the year	0 5	-	25 0	10 8	21 6	57 9
Disposals	-	-	(12 3)	(29 8)	(113 9)	(156 0)
At 28 February 2013	**3.6**	-	**239 4**	**150.5**	**138.8**	**532 3**
Net book value						
At 28 February 2013	**26 4**	**29.7**	**175 2**	**63.9**	**54 6**	**349 8**
At 29 February 2012	26 9	45 9	183 2	12 6	51 8	320 4

Included in aircraft, rotable spares and ancillary equipment are progress payments of £20 3m *(2012 £20 1m)*

The following fixed asset categories include assets held under finance leases and hire purchase contracts

	Group		Company	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Net book value				
Aircraft, rotable spares and ancillary equipment	**38.8**	35 6	**51.0**	48 9
Depreciation charged for the year				
Aircraft, rotable spares and ancillary equipment	**6 2**	5 3	**7 2**	6 3

During the year, the Group did not enter into any new finance lease or hire purchase contract arrangements in respect of tangible fixed assets *(2012 £nil)* The net book value of assets held under finance leases includes maintenance events and modifications to the asset which have been incurred in periods following the lease inception Finance leases are shown notes 14 and 15

Interest capitalised by the Group and Company on aircraft progress payments included in additions during the year amounted to £0 2m *(2012 £nil)* The cumulative amount of interest capitalised in the total cost above for the Group and Company amounts to £0 2m *(2012 £nil)*

Notes *(continued)*

11 Fixed asset investments

	Group	Company		
			Shares in subsidiary	
	Investments	Investments	undertakings	Total
	£m	£m	£m	£m
Cost				
At 1 March 2012	12 0	12 0	10 9	22 9
Additions	0 9	0 9	-	0 9
Repayment of unsecured loan notes	(2 3)	(2 3)	-	(2 3)
At 28 February 2013	**10.6**	**10 6**	**10.9**	**21.5**
Provision for permanent diminution in value:				
At 1 March 2012	-	-	-	-
Provision	-	-	(4 1)	(4 1)
At 28 February 2013	**-**	**-**	**(4.1)**	**(4.1)**
Net book value				
At 28 February 2013	**10 6**	**10.6**	**6.8**	**17 4**
At 29 February 2012	12 0	12 0	10 9	22 9

Investments represent an investment in Airline Group Limited consisting of equity and unsecured loan notes

12 Stocks

Group and Company	Group		Company	
	2013	2012	2013	2012
	£m	£m	£m	£m
Raw materials	**3.2**	3 8	-	-
Aircraft consumable spares	**37.0**	35 3	**37.0**	35 3
Finished goods and goods for resale	**0.3**	1 4	**0 3**	0 4
Fuel stocks	**0.2**	0 1	**0.2**	0 1
Uniforms and other	**0.7**	0 8	**0 7**	0 8
	41.4	41 4	**38 2**	36 6

Notes *(continued)*

13 Debtors

Amounts falling due within one year	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Trade debtors	**189.2**	191 5	**189 1**	191 5
Amounts owed by group undertakings	**31 7**	23 0	**33 6**	41 2
Other debtors	**104 1**	94 4	**103 5**	93 9
Group relief receivable	**5 9**	-	-	-
Corporation tax	-	0 5	-	0 5
Prepayments and accrued income	**40 9**	54 1	**38.3**	51 6
	371 8	363 5	**364.5**	378 7

Amounts falling due after more than one year	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Amounts owed by group undertakings	-	13 1	-	13 1
Other debtors	**36.3**	35 9	**34.7**	34 4
Prepayments and accrued income	**15 4**	48 1	**15.4**	48 1
	51.7	97 1	**50.1**	95 6

Included within other debtors due within one year is an amount of £nil *(2012 £1 0m)* relating to margin calls on fuel and foreign exchange open derivative positions

14 Creditors: amounts falling due within one year

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Bank loans and overdraft	**11.2**	46 8	**4.6**	40 7
Secured bank loans (note 15)	**11 7**	16 9	**11 7**	16 9
Obligations under finance leases and hire purchase contracts (note 20)	**3 4**	3 2	**3.4**	3 2
Trade creditors	**87 4**	78 1	**86.3**	77 2
Amounts owed to group undertakings	**163 7**	120 2	**141 6**	109 4
Corporation tax	**1 5**	-	**1.4**	-
Group relief payable	-	-	**2.1**	8 2
Other taxes and social security	**11 1**	10 6	**11.1**	10 5
Other creditors	**64.4**	50 8	**64.4**	50 8
Accruals and deferred income	**680 7**	668 4	**674.5**	660 6
	1,035 1	995 0	**1,001 1**	977 5

Included within other creditors due within one year is an amount of £11 7m *(2012 £37 7m)* relating to margin calls on fuel and foreign exchange open derivative positions

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Secured bank loans	**12.1**	22 5	**12.1**	22 5
Obligations under finance leases and hire purchase contracts (note 20)	**7.7**	10 6	**7.7**	10 6
Amounts owed to group undertakings	**-**	13 1	**-**	13 6
Accruals and deferred income	**11.9**	20 3	**11 9**	20 3
	31.7	66 5	**31.7**	67 0

The secured bank loans totalling £23 8m (*2012 £39 4m*) are secured by mortgages over certain aircraft assets £9 3m (*2012 £9 5*) of these loans fall due for repayment after five years The interest rates charged in the year in respect of these loans are in the range from 0 625% to 2 75 % above US$ LIBOR

16 Provisions for liabilities and charges

Group

	Deferred tax	**Maintenance**	**Onerous contracts**	**Leasehold dilapidations**	**Legal provisions**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 March 2012	48 1	127 6	0 2	2 6	54 2	**232.7**
Foreign exchange translation	-	5 9	-	-	-	**5.9**
Amounts provided/(released) in the year	(27 5)	49 6	0 9	-	(35 1)	**(12.1)**
Amounts utilised in the year	-	(44 0)	(0 1)	-	(0 5)	**(44.6)**
Amounts transferred to creditors falling due within one year	-	-	-	-	(6 4)	**(6.4)**
Unwinding of discount	-	-	-	0 2	-	**0.2**
At 28 February 2013	**20.6**	**139 1**	**1 0**	**2 8**	**12.2**	**175.7**

Notes *(continued)*

16 Provisions for liabilities and charges *(continued)*

Company

	Deferred tax £m	Maintenance £m	Onerous contracts £m	Leasehold dilapidations £m	Legal provisions £m	Total £m
At 1 March 2012	78 6	127 6	0 2	2 4	54 2	**263.2**
Foreign exchange translation	-	5 9	-	-	-	**5 9**
Amounts provided/(released) in the year	(28 3)	49 6	-	-	(35 7)	**(14.4)**
Amounts utilised in the year	-	(44 0)	(0 1)	-	(0 5)	**(44.6)**
Amounts transferred to creditors falling due within one year	-	-	-	-	(6 4)	**(6 4)**
Unwinding of discount	-	-	-	0 2	-	**0 2**
At 28 February 2013	**50.3**	**139.1**	**0.1**	**2.6**	**11.6**	**203 7**

The amounts provided for deferred taxation at 23% *(2012 25%)* are as follows

	Group		Company	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Accelerated capital allowances	**58.9**	78 1	**82.1**	102 5
Other timing differences	**(4 3)**	(5 1)	**(1.4)**	(2 7)
UK tax losses	**(34 0)**	(24 9)	**(30 4)**	(21 2)
	20 6	48 1	**50.3**	78 6

There are no significant losses in the group for which a deferred tax asset has not been recognised

Cash outflows on aircraft and engine maintenance provisions will occur when the maintenance events take place on future dates not exceeding November 2024

Legal provisions represent the estimated outstanding cost arising from the settlement of civil actions The information usually required by Financial Reporting Standard 12 for these provisions is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of these cases The directors expect these matters to be resolved within the 2013/14 financial year

Notes *(continued)*

17 Share capital

	2013 £	2012 £
Allotted, called up and fully paid		
4,497,607 *(2012 4,497,607)* ordinary shares of £1 each (equity)	**4,497,607**	4,497,607

18 Reserves

Group	Share premium account £m	Capital contribution reserve £m	Profit and loss account £m
Balance at 1 March 2012	5 0	25 0	71 2
Loss for the financial year	-	-	(59 7)
Balance at 28 February 2013	**5.0**	**25.0**	**11 5**

Company	Share premium account £m	Capital contribution reserve £m	Profit and loss account £m
Balance at 1 March 2012	5 0	25 0	82 9
Loss for the financial year	-	-	(60 8)
Balance at 28 February 2013	**5.0**	**25 0**	**22 1**

Notes *(continued)*

19 Reconciliation of movements in shareholders' funds

Group	2013 £m	2012 £m
Loss for the financial year	(59.7)	(57 1)
Other recognised gains and losses relating to the year (net)	-	5 8
Movements in shareholders' funds	(59 7)	(51 3)
Opening shareholders' funds as previously stated	105 7	174 9
Restatement of 2011 profit and loss reserve as a result of group reconstruction	-	(17 9)
Opening shareholders' funds as restated	105.7	157 0
Closing shareholders' funds	46.0	105 7

Company	2013 £m	2012 £m
Loss for the financial year	(60 8)	(68 1)
Other recognised gains and losses relating to the year (net)	-	6 6
Movements in shareholders' funds	(60.8)	(61 5)
Opening shareholders' funds	117.4	178 9
Closing shareholders' funds	56.6	117 4

20 Leasing commitments

Group and Company

The capital element of the future minimum lease payments to which the Group is committed at 28 February 2013 under finance lease and hire purchase contract obligations incurred in the acquisition of aircraft, engines, spares and other equipment are as follows

	2013 £m	2012 £m
Amounts due within.		
One year	3 4	3 2
Second to fifth year inclusive	7 7	10 6
	11.1	13 8

Rentals, net of finance charges, are included in obligations under finance leases and hire purchase contracts in notes 14 and 15 above

Notes *(continued)*

20 Leasing commitments *(continued)*

As at 28 February 2013, the Group and Company had annual commitments under non-cancellable operating leases as set out below

Group	2013		2012	
	Land and buildings £m	**Aircraft and other £m**	Land and buildings £m	Aircraft and other £m
Operating leases which expire				
Within one year	**4.1**	**9.1**	1.6	20.5
In the second to fifth year inclusive	**12.9**	**72.9**	13.5	87.9
Over five years	**11.0**	**145.3**	12.5	127.6
	28.0	**227.3**	27.6	236.0

Company	2013		2012	
	Land and buildings £m	**Aircraft and other £m**	Land and buildings £m	Aircraft and other £m
Operating leases which expire				
Within one year	**4.1**	**9.2**	1.6	21.6
In the second to fifth year inclusive	**12.9**	**73.2**	13.5	89.2
Over five years	**10.9**	**145.7**	12.4	128.0
	27.9	**228.1**	27.5	238.8

21 Commitments

Group and Company

A substantial proportion of capital expenditure, leasing commitments, fuel and other operating costs are denominated in US Dollars. Foreign exchange forward purchase contracts amounting to US$700.2m *(2012: US$604.1m)* outstanding at 28 February 2013 have been taken out to cover part of the exposure risk. Of the total forward purchase contracts, $483.6m relate to deals executed on behalf of Virgin Holidays for which VAA hold corresponding deals with Virgin Holidays, and $216.6m relate to external deals which VAA have executed on its own account. In addition, the Group has entered into a number of other derivative financial instruments the maximum potential commitment of which at 28 February 2013 is US$2,104.8m *(2012: US$2,568.8m)*

The fair value at 28 February 2013 of all the derivative contracts held by the Group to meet future obligations in respect of foreign exchange, fuel hedging and interest rate swap contracts is a positive fair value of £32.4m *(2012: positive fair value £21.9m)*. This is comprised of a positive fair value of £16.4m *(2012: positive fair value £66.6m)* in respect of fuel hedging derivatives, a negative fair value of £33.3m *(2012: negative fair value £32.0m)* in respect of interest rate swaps and a positive fair value of £49.3m *(2012: negative fair value £12.7m)* in respect of foreign currency derivatives

Certain foreign exchange forward purchase contracts are entered into by Virgin Atlantic Airways Limited on behalf of Virgin Holidays Limited. The fair value of these foreign exchange forward purchase contracts at 28 February 2013 is a positive fair value of £6.2m. These fair values have been reflected in the disclosures shown above

The timing difference between derivative maturity date and current mark-to-market value can give rise to margin exposure, this risk is managed through choice of instrument, appropriate counterparty agreements and, where required, cash deposits with counterparties (notes 13 and 14)

Notes *(continued)*

22 Capital commitments

Group and Company	**2013**	2012
	£m	£m
Capital commitments at the balance sheet date for which no provision has been made	**2,488.4**	2,752 9

Capital commitments relating to aircraft and engine purchases are stated at escalated list price less progress payments made

23 Subsidiary undertakings

The subsidiaries of the Company as at 28 February 2013 were

Subsidiaries	**Country of incorporation or registration**	**% Ordinary issued shares**	**Principal activity**
Virgair Limited	England and Wales	100	Leasing of aircraft
VA Cargo Limited	England and Wales	100	Cargo management
Virgin Airways Limited	England and Wales	100	Non-trading
Greenart Limited	England and Wales	100	Dormant
Virgin Atlantic Engineering Limited	England and Wales	100	Dormant
Virgin Atlantic Consolidated Limited	England and Wales	100	Dormant
Virglease Limited	England and Wales	100	Leasing of aircraft
Virglease (2) Limited	England and Wales	100	Dormant
Virglease (3) Limited	England and Wales	100	Leasing of aircraft
Fordbar Services Limited	England and Wales	100	Dormant
Voyager Nominees Limited	England and Wales	100	Dormant
Public Eye Promotions Limited	England and Wales	100	Dormant
Virgin Aviation Services Limited	England and Wales	100	Dormant
Virgin Freeway Limited	England and Wales	100	Dormant
Speed 5024 Limited	England and Wales	100	Dormant
Campden Securities Limited	England and Wales	100	Investment company
Fit Leasing Limited	England and Wales	100	Leasing of aircraft
Bug Leasing Limited	England and Wales	100	Leasing of aircraft
Threesixty Aerospace Limited	England and Wales	100	Aircraft cabin manufacturer
Worldwide Travel of East Anglia Limited	England and Wales	100	Travel agent
Junopart Limited	England and Wales	100	Leasing property

The proportion of voting rights held by the Group in each of its subsidiaries is the same as the proportion of ordinary shares held

All subsidiaries have been included in the consolidation All entities in the consolidation have the same accounting reference date

Campden Securities Limited, Junopart Limited, Virgin Airways Limited, and Speed 5024 Limited, whose results are included in these consolidated financial statements, have taken advantage of the audit exemption under section 479A of the Companies Act 2006 for their financial statements

The directors of Fordbar Services Limited, Greenart Limited, Public Eye Promotions Limited, Virgin Atlantic Consol Limited, Virgin Atlantic Engineering Limited, Virgin Aviation Services Limited, Virgin Freeway Limited, Virglease (2) Limited and Voyager Nominees Limited, whose results are included in these consolidated financial statements, have taken advantage of the exemption to prepare and file financial statements under sections 394A and 448A of the Companies Act 2006

Notes *(continued)*

24 Contingent liabilities

The Company and certain subsidiaries are parties to a Group set-off agreement in respect of certain bank accounts as a result of which any overdrawn balances of the Company or subsidiaries covered by this agreement are set-off against the cash at bank and in hand of the Group

The Company is a guarantor under certain financing arrangements of other group companies

The Company is a guarantor of the liabilities at their balance sheet date of the subsidiaries which have taken the audit exemption under section 479A of the Companies Act 2006, and the exemption for preparing and filing financial statements under sections 394A and 448A of the Companies Act 2006 (see note 23)

25 Pension schemes

The Group operates defined contribution pension schemes The assets of the schemes are held separately from those of the Group in independently administered funds There were no outstanding or prepaid contributions at 28 February 2013 (*2012 £nil*).

26 Related party transactions

As at 28 February 2013, the Company's ultimate parent company was Virgin Group Holdings Limited, whose principal shareholders are Sir Richard Branson and certain trusts, none of which individually has a controlling interest in Virgin Group Holdings Limited The principal beneficiaries of those trusts are Sir Richard Branson and his immediate family The shareholders of Virgin Group Holdings Limited have interests directly or indirectly in certain other companies, which are considered to give rise to related party disclosures under Financial Reporting Standard 8

The Company, being a wholly owned subsidiary undertaking of Virgin Atlantic Limited, has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions with entities which form part of the group or investees of the group qualifying as related entities

The following is a summary of material transactions and balances by the Group with related entities which are required to be disclosed by Financial Reporting Standard 8

Year Ended 28 February 2013	**Revenue**	**Purchases**	**Balances due to the Group**	**Balances due from the Group**
	£m	**£m**	**£m**	**£m**
Companies related by virtue of common control ownership				
Virgin Australia Pty Limited	0 3	17 0	-	1 1
Virgin Insight Limited	-	0 2	-	-
Virgin Management Limited	-	0 2	-	-
Virgin Money Limited	15 8	-	6 5	-
Virgin Limited Edition hotels	-	0 1	-	-
West Coast Trains Limited	1 0	-	0 1	-
Virgin America Incorporated	0 1	-	-	-

Revenue from related parties primarily relates to airline ticket sales and sales of frequent flyer miles. Purchases from related parties represent goods and services purchased for use within the business All of the above transactions are on an arm's length basis

Notes *(continued)*

27 Ultimate holding company

As at 28 February 2013, the directors consider the ultimate holding company to be Virgin Group Holdings Limited, a company registered in the British Virgin Islands

As at 28 February 2013, the largest group in which the results of the Company are consolidated is that headed by Virgin Wings Limited, a company registered in England and Wales, and the smallest group in which the results of the Company are consolidated is that headed by Virgin Atlantic Limited, a company registered in England and Wales

Copies of the financial statements for both Virgin Wings Limited and Virgin Atlantic Limited may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ